

NICARAGUA

SOCIAL SAFETY NET, PHASE II

(NI-0161)

EVALUATION REPORT

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ABBREVIATIONS

CC	Coordinating council
CCCs	Comités Comarcales y Comunales [Community and municipal committees]
CEU	Community executing unit
CONPES	Consejo Nacional de Planificación Económica y Social [National Economic and Social Planning Council]
EAC	External advisory committee
ES	Education subsidy
FISE	Fondo de Inversión Social de Emergencia [Emergency Social Investment Fund]
FS	Food subsidy
FSS	Supplementary social fund
GDMP	Growth and development monitoring and promotion
GON	Government of Nicaragua
HIPC	Heavily indebted poor countries
IDA	International Development Association
IFPRI	International Food Policy Research Institute
IMF	International Monetary Fund
INEC	Instituto Nacional de Estadísticas y Censos [National Institute of Statistics and the Census]
ITM	Information technology management
LC	Local committee
LEU	Local executing unit
LSMS	Living standards measurement survey
MAGFOR	Ministry of Agriculture and Forestry
MARENA	Ministry of the Environment and Natural Resources
MECD	Ministry of Education, Culture and Sports
MIFAMILIA	Ministry of the Family
MINSA	Ministry of Health
OR	Operating Regulations
PEU	Program execution unit
PRAF	Programa de Asistencia Familiar [family allowance program] (Honduras)
PROGRESA	Programa de Educación, Salud y Alimentación (Mexico)
SFS	Subsidy for food security
SGPRS	Strengthened Growth and Poverty Reduction Strategy
SP	School pack
SSN	Social safety net
SSS	Supply-side subsidy
TC	Technical committee
TM	Technical management
UBN	Unmet basic needs



NICARAGUA

IDB LOANS

APPROVED AS OF JUNE 30, 2002

	<i>US\$Thousand</i>	<i>Percent</i>
TOTAL APPROVED	1,862,862	
DISBURSED	1,412,894	75.8%
UNDISBURSED BALANCE	449,968	24.2%
CANCELLATIONS	40,613	2.2%
PRINCIPAL COLLECTED	333,040	17.9%
APPROVED BY FUND		
ORDINARY CAPITAL	255,984	13.7%
FUND FOR SPECIAL OPERATIONS	1,539,691	82.7%
OTHER FUNDS	67,187	3.6%
OUTSTANDING DEBT BALANCE	1,079,854	
ORDINARY CAPITAL	131,470	12.2%
FUND FOR SPECIAL OPERATIONS	941,933	87.2%
OTHER FUNDS	6,451	0.6%
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	302,537	16.2%
INDUSTRY, TOURISM, SCIENCE TECHNOLOGY	78,185	4.2%
ENERGY	202,935	10.9%
TRANSPORTATION AND COMMUNICATIONS	266,159	14.3%
EDUCATION	22,240	1.2%
HEALTH AND SANITATION	175,251	9.4%
ENVIRONMENT	64,274	3.5%
URBAN DEVELOPMENT	34,514	1.9%
SOCIAL INVESTMENT AND MICROENTERPRISE	233,287	12.5%
REFORM PUBLIC SECTOR MODERNIZATION	452,424	24.3%
EXPORT FINANCING	1,826	0.1%
PREINVESTMENT AND OTHER	29,230	1.6%

* Net of cancellations with monetary adjustments and export financing loan collections



INTER-AMERICAN DEVELOPMENT BANK
Regional Operations Support Office
Operational Information Unit

NICARAGUA

STATUS OF LOANS IN EXECUTION AS OF JUNE 30, 2002

(Amounts in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROJECTS	AMOUNT APPROVED	AMOUNT DISBURSED	% DISBURSED
Before 1996	1	9,000	8,511	94.57%
1996 - 1997	4	120,300	100,871	83.85%
1998 - 1999	10	253,940	116,830	46.01%
2000 - 2001	17	307,944	15,156	4.92%
TOTAL	32	\$691,184	\$241,369	34.92%

* Net of Cancellations . Excluding export financing loans.



Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Nicaragua

Tentative Lending Program

2002

Project Number	Project Name	IDB US\$ Millions	Status
NI0160	Modernization Strengthening General Comptrollers	5.4	APPROVED
NI0161	Social Safety Net Stage II	20.0	
NI0064	Low-Income Housing Program	22.0	
NI0159	Rural Production Reactivation Program (PRPR)	60.0	
NI0165	Commercial Negotiations Capacity Strengthening	5.0	
NI0169	Social Sectoral Project	30.0	
Total - A : 6 Projects		142.4	
TOTAL 2002 : 6 Projects		142.4	

2003

Project Number	Project Name	IDB US\$ Millions	Status
NI0167	Multisectoral Global Program	42.0	
NI0155	Slum upgrading program	20.0	
NI0168	Citizenship Security Prog.	25.0	
NI0162	Technical Education System Modernization	20.0	
NI0170	Road Integration Program PPP	30.0	
NI0110	Education II	25.0	
NI0113	Multiphase Colector Road Program I	30.0	
Total - A : 7 Projects		192.0	
NI0149	Atlantic Cost Development	10.0	
NI0152	Masaya Basin and Municipality Env Prog	19.0	
NI0171		30.0	
Total - B : 3 Projects		59.0	
TOTAL - 2003 : 10 Projects		251.0	

Total Private Sector 2002 - 2003 0.0

Total Regular Program 2002 - 2003 393.4

* Private Sector Project

SOCIAL SAFETY NET, PHASE II

(NI-0161)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua	
Executing agency:	Ministry of the Family (MIFAMILIA)	
Amount and source:		Phase II
	IDB: (FSO)	US\$20,000
	Borrower:	US\$ 2,200
	Total:	US\$22,200
Terms and conditions:	Amortization period:	40 years
	Grace period:	10 years
	Disbursement period:	Minimum: 3 years Maximum: 3.5 years
	Interest rate:	1% per annum for the first 10 years; 2% per annum thereafter.
	Inspection and supervision:	1% of the loan amount
	Credit fee:	0.50% per annum on the undisbursed balance.
Background:	<p>On 8 March 2000, the Bank's Board of Executive Directors approved the Social Safety Net Program in Nicaragua (1055/SF-NI). (See Annex I: Executive Summary of the loan proposal and document PR-2455-2). The program was introduced as a multiphase operation based on the principles governing the flexible lending instruments (document GN-2085-2). Of the total estimated cost of US\$32.2 million, the Bank was to finance US\$29 million. Each phase was to have separate loans: US\$9 million for the first phase and US\$20 million for the second. The purpose of the program is to help extremely poor families build human capital.</p>	

Program objectives:	<p>The objective of the program is to enhance the wellbeing of Nicaraguans living in extreme poverty by helping them to build their human capital. The program's components and specific objectives are as follows: (i) institutional strengthening, to establish the program's operating framework; (ii) health and food security, to increase attention to nutrition and promote growth, development and full immunization coverage among children ages 5 and under; (iii) education so that children in the first to fourth grades of elementary school can enroll and remain in school and profit from their education; and (iv) targeting and evaluation, to establish objective and transparent criteria for selecting beneficiaries and impact indicators for measuring program performance.</p>
Results of phase I, targets agreed upon and achieved:	<p>The evaluation of phase I of the program found that the vast majority of its targets had either been accomplished or surpassed (see table I.2). As for execution, 83% of the resources for phase I have been disbursed, while 95% are committed. The findings of the impact assessment done by the International Food Policy Research Institute (IFPRI) appear in the IFPRI reports of February 2002, which the Bank and an external advisory committee (EAC) reviewed and cleared. According to those reports, phase I's results have been positive and the agreed upon triggers for enrollment, retention rate, school attendance, promotion of growth and development, nutrition and immunization of children living in extreme poverty have been achieved for the transition to phase II. The targeting results were also satisfactory. The Bank's missions evaluated the program's institutional framework and implementation mechanisms, and found them to be satisfactory. The operating systems and mechanisms are fully developed and functioning. The monitoring strategy and the impact assessment methodology were developed satisfactorily. For all these reasons, it is recommended that the institutional framework and mechanisms in phase II be substantially the same as those used in phase I. The only exception would be the agency responsible for program execution, which in phase II will be the Ministry of the Family (see paragraph 2.2).</p>
Objective and description of phase II:	<p>The objectives, components, and basic mechanisms used in phase I for execution at the local and community level will remain the same in phase II. Phase II will reach around 12,500 additional households for a three-year period, and the 10,000 current beneficiary households for the duration of their eligibility. It will be an opportunity to consolidate the program's operational framework, its targeting mechanism, and its impact assessment.</p>
The project's relationship to	<p>The program fits into the Strengthened Growth and Poverty Reduction Strategy (SGPRS) that the International Monetary Fund (IMF) and the</p>

**the Bank's
country and
sector strategy:**

World Bank approved in August 2001. Social protection is the third pillar of that strategy (on an equal plane with sustainable growth and human capital investment). Creation of the social safety net is also one of the commitments established in the Decision Point Document for the Heavily Indebted Poor Countries Initiative (HIPC). Given the Bank's interest and participation in the SGPRS and the HIPC, the social safety net (SSN) is pivotal to its strategy in Nicaragua and is an example of the social protection innovations that the Bank has been advocating within the region.

**Environmental
and social
review:**

The program bolsters a social protection strategy with emphasis on investing in the human capital of families living in extreme poverty. The program directly empowers its female beneficiaries by building up their knowledge and skills so that they can be pro-active in improving their families' health and nutrition and their children's basic education. Finally, the training provided under the program, especially in hygiene and health, are expected to have a favorable impact on the environmental management practices of the beneficiary families and communities. No negative environmental effects are anticipated.

Benefits:

Significant impacts, similar to those achieved in Phase I, are anticipated in the areas of enrollment, retention rates, school attendance, promotion of growth and development, nutrition, and immunization of children living in extreme poverty, accomplished through comprehensive strategic measures in nutrition, health, education and training, a targeting mechanism that reduces the risk of inappropriately including or excluding beneficiaries, a sound impact assessment system, and an institutional arrangement that teams the central government with local governments and civil society. It will also build up the human capital of the children it serves and enhance their future employment prospects and productivity.

Risks:

Targeting of beneficiaries: The risk that people will be included who are not living in extreme poverty will be minimized by setting strict targeting criteria and establishing a formal oversight system in the form of periodic visits to the field and open town meetings.

Negative incentives in the labor market: If cash subsidies are too large, they could increase the reservation wage and thereby reduce supply in the labor market. To mitigate this risk, benefits, whose receipt is conditional upon participation in the health protocol, training classes and school attendance will be de-coupled from the family income level once a household is declared eligible for the program. The evaluation of phase I found that the cash subsidies had not distorted the labor market.

Interinstitutional coordination: Including the coordinating council (CC) of the supplementary social fund (FSS) in the execution plan reduces the risk of the kind of interagency coordination typical of an operation of this nature. The council will improve coordination with health and education services, which is important given the multisector nature of the program. The interagency agreements between the line ministries and executing agency will be reviewed to correct some weaknesses in coordination encountered during phase I.

**Special
contractual
conditions:**

Conditions precedent previously fulfilled

- a. The mandate of the supplementary social fund's coordinating council was extended, so that it can continue to steer the program.
- b. The amendments to the program's Operating Regulations (OR) were agreed upon by the executing agency and the Bank. The principal adjustments to the existing OR that the borrower and the Bank have agreed upon, include changes to the training menu, to the amount of the subsidy for food security (SFS), to the supply-side subsidy (SSS) in education, to the subsidies' delivery mechanism, and to the targeting criteria and instruments. The criteria that schools will have to meet to qualify for the SSS in education were established and regulations instituted to extend the supply-side health-care and educational subsidies for another two years.

Conditions precedent to the first disbursement

- a. Prior to the first disbursement, the borrower, through the executing agency, will present to the Bank's satisfaction, evidence that: (i) the coordination agreements that the executing agency, Ministry of Education, Culture, and Sports (MECD) and the Ministry of Health (MINSA) are to enter into execution of the program's activities have been signed; (ii) the FSS' coordinating council has approved the program's OR; and (iii) the program execution unit (PEU) has been constituted and assigned the staff it will need to function.

Conditions precedent to disbursements for components 2 and 3

For disbursement of funding for the projects planned for the new families that will join the program in phase II, the executing agency will submit the following to the Bank's satisfaction: (i) the final list of communities in which phase II will be carried out; (ii) a semiannual plan for adding new beneficiaries to the program, detailing the number

of households to be added, the status of the educational and health services available in the selected communities, the plans for strengthening those services, and the source of the funding for those plans; and (iii) the baseline that will be used to evaluate the new families.

Retroactive financing:

It is requested that up to US\$100,000 in expenditures incurred after 1 July 2002 for the activities outlined in paragraph 3.25 be recognized as part of the Bank loan.

Poverty-targeting and social sector classification:

This operation qualifies as a poverty-targeted investment (PTI). It also qualifies as a social equity enhancing project, as described in the indicative targets established in the report on the Eighth General Increase in Resources (document AB-1704).

Exceptions to Bank policy:

See Procurement section below.

Procurement of goods, works, and consulting services:

The program does not call for any civil works. Bank procedures will be followed for procurement of goods and consulting services.

As an exception to the procedure required for selecting consultants through competitive bidding, direct contracting of the IFPRI is proposed. The IFPRI will follow Bank procedure for all procurement, consulting contracting, or other required activities. All contracting will be done in accordance with chapter GS-403 of the Bank's Procurements Manual (see paragraph 3.17).

This is a multiphase operation. The consultants, originally selected via a competitive and transparent procedure, were an integral part of the phase I PEU, performed satisfactorily, and by now have amassed considerable experience with the program's technical and operational aspects. For all these reasons, and to make certain that the program's activities continue to be successfully carried out in phase II, an exception is being requested of the Bank's Board of Executive Directors so that the consultants whose contracts were financed with proceeds from the Bank loan for phase I and who are currently serving in the PEU, may be contracted for phase II, thereby foregoing the competitive selection process (see paragraph 3.18).

I. THE SOCIAL SAFETY NET

A. Frame of reference

- 1.1 The Bank's Board of Executive Directors approved the Social Safety Net Program in Nicaragua (1055/SF-NI) on 8 March 2000. (Attached as Annex I is the executive summary of the loan proposal, which was document PR-2455-2). The purpose of the program is to help families living in extreme poverty build up their human capital. The Bank planned and analyzed the program as a two-phase operation, estimated to cost a total of US\$32.2 million. Of that amount, the Bank would finance US\$29 million, in two separate loans, one per phase (the first for US\$9 million, and the second for US\$20 million).
- 1.2 The Government of Nicaragua (GON) and the Bank decided that approval of Phase II would be subject to an evaluation of the extent to which the program's impact indicators, shown in Table I.2, had been achieved. It was also determined that the evaluation would have to: (i) establish whether the institutional arrangement functioned well and whether it was ready to undertake measures to achieve broader coverage; (ii) determine whether the services that the program provided showed any early results or effects on the accomplishment of its objectives; and (iii) include a recommendation as to whether the program should be extended, and if so, the adjustments that would be needed in the institutional arrangement, the service model, the scale, the procurement plan and the Operating Regulations (OR).
- 1.3 The purpose of this report is to: (i) show the performance of the triggers for the transition to phase II, and the program's future institutional framework, implementation mechanisms, and an impact assessment and monitoring system; (ii) present a summary of the findings of the evaluation of phase I of the program; and (iii) present to the Board of Executive Directors, for approval, the proposal for phase II of the social safety net (SSN) program.

B. The SSN in the strategy of the country and the Bank

- 1.4 The SSN program is a pillar of a social protection strategy that emphasizes investment in the human capital of families living in extreme poverty. The goal of the strategy is to change the family's behavior vis-à-vis human capital formation and to combine integrated educational, health, and food security measures with demand-side subsidies that are conditional upon family co-responsibility. The program has clear targeting, monitoring and impact assessment criteria to ensure its transparency and effectiveness.
- 1.5 The SSN is a key element in the Strengthened Growth and Poverty Reduction Strategy (SGPRS) that the International Monetary Fund (IMF) and the World Bank

approved in August 2001. Implementation of a plan of action to introduce an effective social protection system based on the results of SSN is also one of the commitments established in the Decision Point Document of the Heavily Indebted Poor Countries Initiative (HIPC). Given the Bank's interest and participation in the SGPRS and the HIPC, the program plays a pivotal role in the social protection strategy in Nicaragua. This program is an example of the kind of innovative social protection that the Bank has cultivated in the region. It has been instrumental in introducing similar programs in Brazil, Colombia, Honduras, Jamaica, Mexico, and other countries.

C. Description of the program

- 1.6 The objective of the program is to enhance the wellbeing of the population living in extreme poverty by helping them to build up their human capital. The program's components and specific objectives are as follows: (i) Institutional strengthening, to establish the program's operating framework; (ii) health and food security, to improve nutrition and promote growth and development, and immunize children 5 and under; (iii) education so that children in grades 1 to 4 can enroll and remain in school and profit by their education; and (iv) targeting and evaluation, to establish an objective and transparent system for selecting beneficiaries based on their poverty level and to develop an impact-assessment system that measures performance of the program's objectives.
- 1.7 Under the program, the beneficiary families, selected on the basis of rigorous targeting criteria, are provided with a food subsidy (FS), a school pack (SP), and an education subsidy (ES). The program also improves the quality of the education and health services that the beneficiaries receive by funding supply-side subsidies in health care and education (SSS). The amounts of the subsidies in Phase I are shown in table I.1. The various types of assistance offered under the program rely on the kinds of measures that will have the greatest impact on the beneficiary families' human capital, and focus on keeping their children in good health, receiving the nutritional supplements that will enable them to grow properly and improve their school attendance and academic performance.
- 1.8 The families agree to send their children to school and keep them there, to take them to health clinics for a basic protocol of health-care services, to improve their nutrition and to attend health education sessions (for training in sexual and reproductive health, nutrition, child care and breastfeeding, environmental health, and family hygiene). Families that fail to discharge their co-responsibility commitments will have their subsidies temporarily suspended and/or cancelled. To facilitate compliance, mothers in beneficiary households, women who are community promoters, institutional personnel and other stakeholders will be instructed in the program's objectives and mechanisms. The program has opted to deliver the subsidies directly to the women because the evidence shows that the

health and wellbeing of the children and the family are better served when the mothers control the resources.

- 1.9 Table I.1 shows the interventions, the types of assistance each one delivered, the family's co-responsibility, and the amount of the annual subsidy under phase I.

Table I.1 Components, annual amounts, and co-responsibility

Component	Interventions	Co-responsibility
Education	<p>School pack (US\$20 per child)</p> <p>Education subsidy (US\$90 per family)</p> <p>Supply-side subsidies finance teacher incentives and teaching materials (US\$4 per child)</p>	<p>Enrollment of all children in the household who are ages 7 to 13 and who have not completed grade 4.</p> <p>Fewer than six absences every two months among all children from the household enrolled in grades 1 through 4.</p> <p>Enrollment and attendance.</p>
Health and food security	<p>Food subsidy (US\$207 per family, US\$34.6 per capita)</p> <p>Supply-side subsidies in health care finance delivery of the health-care plan. MINSA supplies the vaccinations, parasite treatments, ferrous sulfate, and vitamin A (US\$130 per family)</p>	<p>The family's participation in a health care plan that includes: a complete physical, growth and development monitoring and promotion (GDMP) for children 5 and under; immunization of children 5 and under; supply of parasite treatment, ferrous sulfate and vitamin A; and six training sessions per year for mothers in beneficiary households, teaching nutrition, hygiene and preventive health care.</p> <p>Improvement of the child's nutritional situation.</p>

- 1.10 The decision was that the Fondo de Inversión Social de Emergencia [Emergency Social Investment Program] (FISE) would plan and incubate phase I of the program, bringing its technical, institutional and administrative capacity to the

program's operating framework. The administrative cost of launching the program was expected to be significantly less if FISE were the executing agency in the program's institutional structure.

- 1.11 The phase I program plan of execution is on three levels: the central level, the local level, and the community level. The central level includes: the coordinating council (CC)¹ steering the program, the program execution unit (PEU) administering the program, and the representative of the program's technical committee (TC) in each participating ministry, who is the link between the executing agency and the CC and is in charge of the program's central coordination. The CC's functions include the following: (i) deciding the program's general policies and standards; (ii) coordinating the program with those in other sectors; and (iii) approving the Operating Regulations. These three levels of execution will be retained in phase II.
- 1.12 The local level consists of the local committees (LCs) and the local executing units (LEUs). The LCs' functions are coordination and supervision within each municipality involved in the program. Its members are the municipal delegates from the line ministries and from civil society.² The LEUs' main function is to ensure that the program functions smoothly within the municipalities by assisting the community executing units (CEUs) and the community promoters. At the community level are the community executing units (CEUs) and the community promoters. Every CEU has: (i) a representative from the school board; (ii) a representative of the program-affiliated health-care providers in the area; and (iii) a coordinator. The CEU sees to it that education and health services are delivered to the beneficiaries. In every participating community the program also has a community promoter, who is a mother in a beneficiary household designated by the other mothers of beneficiary households to represent them.

D. Achievement of the triggers agreed upon for the transition to phase II

- 1.13 The vast majority of the program's targets for institutional and operational development and expected impacts in the areas of education, health and food have either been achieved or exceeded. The conclusion, then, is that the conditions specified in the loan proposal (document PR-2455-2) for the funding of phase II have been met. The International Food Policy Research Institute (IFPRI) did the impact assessment. The findings, which appear in Annex II of this document, are

¹ The coordinating council was created for the supplementary social fund (FSS), with the following members: (i) the ministers of health, education, and treasury, (ii) a representative of the FSS donor countries, (iii) the technical secretary of the Chief Executive's Office, who chaired the council, and (iv) FISE's executive president, who served as executive secretary.

² Every LC has six members: (i) the coordinator of the municipal technical unit; (ii) one delegate from MINSA; one MECD delegate, (iv) two delegates from civil society, and the LEU coordinator.

from the IFPRI report,³ which the Bank and an external advisory committee (EAC)⁴ have already reviewed and cleared. Table I.2 shows the indicators and benchmarks that the borrower and the Bank agreed upon for the program's first phase, and the extent to which they were achieved. The following is a more detailed description of the results of phase I (2000-2002).

³ IFPRI (2002) "*Sistema de Evaluación de la Fase Piloto de la Red de Protección Social de Nicaragua: Evaluación de Impacto*" [System used to assess the pilot phase of the social safety net program in Nicaragua: impact assessment], and "*Sistema de Evaluación de la Fase Piloto de la Red de Protección Social de Nicaragua: Evaluación de Focalización*" [System used to assess the pilot phase of the social safety net program in Nicaragua: targeting assessment], February 2002. The assessment of the SSN's impact will be supplemented by a qualitative assessment that is currently in progress.

⁴ The EAC members are Professor Elizabeth Sadoulet and Professor Alain de Janvry of the University of California at Berkeley, Associate Professor Paul Glewwe of the University of Minnesota, Professor Beatrice Lorge-Rogers, Dean for Academic Affairs, School of Nutrition Science and Policy at Tufts University, and Guilherme L. Sedlacek with the Bank's Office of Oversight and Evaluation (OVE).

Table I.2 Phase I indicators and benchmarks

A. Indicator	II. Targets – Phase I	Targets achieved
<ul style="list-style-type: none"> % resources disbursed, Phase I % disbursed resources committed, Phase I Duration of project cycle <p>Key systems up and operating:</p> <ul style="list-style-type: none"> Accounting/ Budget Targeting Household surveys in each community, to include a profile of proximate poverty variables 	<ul style="list-style-type: none"> > 50% > 75% < 3 months 	<ul style="list-style-type: none"> Achieved (83%) Achieved (95%) Achieved (2.5 months)
<ul style="list-style-type: none"> Coverage, children < 3 years under the growth and development monitoring and promotion program Coverage, children from 12 to 23 months with full immunization protocol Increase in the percentage that food represents of families' total consumption 	<ul style="list-style-type: none"> Increase > 10% over control group (with and without program) Observe the direction of the change 	<ul style="list-style-type: none"> Achieved: an increase of over 23% Achieved: an increase of 17.3% Achieved
<ul style="list-style-type: none"> Retention rate among children in grades 1-4 	<ul style="list-style-type: none"> Increase > 10% over control group (with and without the program) 	<ul style="list-style-type: none"> Achieved: 10% increase among children living in extreme poverty
<ul style="list-style-type: none"> Increase in enrollment, grades 1 to 4, during school year 	<ul style="list-style-type: none"> Increase > more than 5% over control group (with and without program) 	<ul style="list-style-type: none"> Achieved: 21.7% increase
Geographic targeting		
<ul style="list-style-type: none"> Average concentration of extreme poverty in the communities selected for the program. Testing to see if the geographic targeting is right.⁵ 	<ul style="list-style-type: none"> >60% 	<p>The concentration of extreme poverty turns out to be 42.2% , the baseline being the extreme poverty line that INEC and the World Bank established for Nicaragua. However, on average, 80% of the program beneficiaries live on less than US\$1 per person per day (the international standard for extreme poverty).</p>
<ul style="list-style-type: none"> Average leakage of persons not living in extreme poverty, in communities selected by geographic targeting 	<ul style="list-style-type: none"> <40% 	<p>The leakage of persons not living in extreme poverty is 57.8%, based on the national extreme poverty line established by INEC and the World Bank. However, by the international standard for extreme poverty, leakage is only 20%.</p>
I. Average concentration of poverty in the communities selected by geographic targeting ⁶	<ul style="list-style-type: none"> >80% 	<p>Targets achieved, irrespective of the poverty line -local or international (US\$2 per person per day) used.</p>
II. Average leakage by non-poor in the communities selected by geographic targeting	<ul style="list-style-type: none"> <20% 	

⁵ These figures show that the original targets were not very realistic. In fact, the preliminary findings of the Living Standards Measurement Survey in Nicaragua (1998) appear to indicate that in the country's rural areas, the concentration of extremely poor and poor households is 29% and 40%, respectively. Therefore, the targets set here would mean that the program must select communities where the concentration of extremely poor and poor households is double the average.

⁶ *Idem*, note 5.

E. Execution, targets achieved, and lessons learned from phase I

- 1.14 Loan 1055/SF-NI for phase I of the program, was declared eligible on 6 November 2000. Of the US\$9 million loan, 83% has been disbursed and 95% committed thus far. The balance of US\$1.5 million is expected to be disbursed in October 2002.

1. Component 1. Institutional strengthening (US\$1.8 million)

- 1.15 The targets set for component I have been achieved. In fact, most were achieved ahead of schedule, indicating that the institutional arrangement and execution functioned satisfactorily. The institutional and operational assessments confirm that the PEU has the capacity, experience and systems to undertake the program's expansion. The unit has proficient technical and operational personnel, and systems in use for administrative management, operations, and monitoring.
- 1.16 The assessments also pointed up some lessons learned at the central level about coordination between the CC and the PEU. Specifically, the TCs responsible for suggesting ways to improve the program's coordination and execution were found to be wanting. During phase I, the TCs did not have suitable operations-and management-related representation from the line ministries and their meetings were sporadic. One result, among others, was that the program was slow in making adjustments to meet the demand that the program created. In the case of education, for example, when the program's impact on enrollment outperformed the measures taken to strengthen educational services, the MECD—and in some cases the families themselves—had to hire additional teachers. No budgetary appropriation or prompt hiring measures had been pre-arranged for the entire school year. Compounding the problem was the fact that information from the distribution profile of the program beneficiaries was not used to ensure that its activities would complement other programs being conducted by the line ministries. In phase II, therefore, measures will be taken to correct these problems (see paragraphs 2.3-2.4 and 2.6).
- 1.17 One factor considered when determining what the institutional framework would be for phase II was that the new administration is in the process of formulating the country's social protection policy. One objective of that process is to bring the institutional structure of social protection in line with law 290 on the organization, authorities and procedures of the executive branch of government. Under that law, the Ministry of the Family (MIFAMILIA) has the authority to craft and implement policies to protect vulnerable groups and policies targeted at the family unit. The government presented to the IDB a presidential policy statement delineating MIFAMILIA's role in the country's social protection policy. It requested that MIFAMILIA serve as executing agency in phase II of the program.

2. Component 2. Health and food security (US\$4.4 million)

- 1.18 The health plan was premised on a new model in which private health-care providers were contracted to get basic health care services to more people. This arrangement made immediate preventive health care available to rural families and remote or isolated communities. MINSA is using this same model in other programs as well. With the impact targets, the chief results were as follows:
- 1.19 In the case of growth and development monitoring and promotion (GDMP) ages 0 to 3 years, the average net targets achieved were two and three times greater than anticipated. The net increases that the program brought about were appreciable:
- i. 28.6 percentage points in the percentage of children under the age of three who had been weighed in the last six months.
 - ii. 31.5 percentage points in the percentage of children whose weight had been charted in the last six months.
 - iii. 24.5 percentage points in the percentage of children to whom ferrous sulfate had been administered in the last 12 months.⁷
- 1.20 The SSN program brought about a 48.5 percentage point increase in age appropriate vaccination of children between 12 and 23 months who were program beneficiaries. By the same token, the assessment observed that the same indicator was up 28 percentage points among children in the control group. The increase in the control group may be due to the increased availability of vaccines wherever the program operated. In any case, the net average impact of 17.3 percentage points is 1.7 times greater than expected.
- 1.21 The program also had significant impacts on spending on food and family consumption. The program brought about an average net increase in total annual per capita consumption expenditure of 25 percent. 87% of that increase was the average net increase in annual food expenditure per capita, which represents US\$64. Under the program, food expenditures accounted for a larger percentage share of families' total expenditures.
- 1.22 Based on the lessons learned and because of the sharp increase in GDMP coverage and in age-appropriate immunization under the program, the EAC suggested a gradual reduction in the amount of the FS that beneficiary families added in phase II would receive. This would be one way to test whether costs can be reduced without sacrificing impact. The health-services protocol financed with the help of the SSS proved to be very high quality. Competitively selected private health-care

⁷ The assessment will try to determine what impact this measure had on lowering anemia, given the extent of the problem found in the baseline (35% of the children ages 6 to 59 months have iron deficiency anemia).

providers delivered the protocol at the rates agreed upon with the SSN. The interventions that the protocol features are listed in Table I.I.

- 1.23 However, in keeping with MINSA policies and based on the beneficiaries' needs and interests, the following has been suggested: (i) a review of the costs and content of the health-care protocol, including the training provided; (ii) improvements to the system for overseeing providers; and (iii) a change in the way in which providers are paid. Where costs are concerned, a review of some services that providers deliver and potential economies of scale in phase I's fixed investment costs (such as the design and production of training materials for mothers of beneficiary households, design of forms and instruments monitoring children's weight and height, and so on) will make lower costs possible.
- 1.24 The health protocol in phase I did not include prenatal care. The limited resources that MINSA had to supervise the service providers in phase I meant that the supervision was not done as often as it should have been. Lastly, in phase I, payments to providers were based on coverage and the child's growth targets. The latter is not a workable criterion, as beneficiary parents and health-care providers both have an interest in reporting high growth targets, because growth is one of the conditions for the FS.⁸ Finally, the training menu did not feature instruction modules on such topics as animal health and patio economy, which would help families acquire the knowledge they need to make a better living for themselves and thereby enhance the program's sustainability. Measures will therefore be taken in phase II to correct these problems (see paragraphs 2.8-2.10).
- 1.25 To assess what impacts the behavioral changes attributable to the program had on sustainability, the EAC recommended that in phase I beneficiary communities the health-related SSS be extended in the case of those households that would, under the original OR, cease to receive the FS after three years. To be eligible, however, those families would have to continue to fulfill their co-responsibilities vis-à-vis the health protocol.

3. Component 3. Education (US\$2.4 million)

- 1.26 The achievements under this component were measured by indicators of enrollment, school retention rate, and school attendance. In the case of enrollment, the program brought about a significant average net increase of:
 - i. 21.7 percentage points in the percentage of children of both sexes (ages 7-13) enrolled in the first to fourth grades. Thanks to the program, net enrollment among the beneficiary children in these grades and for these ages reached 94%.

⁸ The possible effects of this convergence of interests may have skewed the data on the children's nutritional risk, contained in the administrative archives; however, it would not have affected the program's impact assessment, which was based on independently conducted surveys.

- ii. The program's impact was greater among children in the 7-8 age bracket, where the percentage of children enrolled increased by over 30 percentage points. In the 12-13 age bracket, the increase was over 19 percentage points.
 - iii. The enrollment impact by poverty level was 28.4 percentage points among children (ages 7-13) living in extreme poverty; 15 percentage points among poor children, and 9.8 percentage points among non-poor children.⁹
- 1.27 The program also had a sizeable impact on school retention and school attendance, as it brought about an increase of:
- i. 9 percentage points in the percentage of children who remain in school in grades 1 through 4. The impact is similar from one grade to the next and there are no differences between boys and girls.
 - ii. The program's impact was greater among children living in extreme poverty, whose school retention was up ten percentage points in grades 1 through 4.
 - iii. 32.1 percentage points in the number of children who attend class regularly.
- 1.28 One of the most important lessons learned from the program is that, with the substantial increase in enrollment in schools serving the beneficiary families, the SSS (US\$4 per child per year) is not sufficient to meet the growing need for funding to finance teacher incentives and school supplies. This amount will, therefore, be revised for phase II (see paragraph 2.7).

4. Component 4. Targeting and evaluation (US\$700,000)

- 1.29 The geographic targeting criterion used in phase I to select departments and municipalities was based on the poverty map that the FISE prepared for the country using data from the 1995 census and the 1993 living standards measurement survey. But an ad hoc tool had to be developed to select the communities for phase I, based on a weighted index of four factors: (i) family size; (ii) access to potable water; (iii) access to latrines; and (iv) degree of literacy. Finally, other criteria were taken into account when selecting areas of intervention, such as access to schools and the capacity for local participation and coordination essential to test the execution arrangement. Using these criteria, six municipalities in the departments of Madriz and Matagalpa were selected for phase I, involving a total of 10,093 households.

⁹ Non-poor refers to families who live on more than US\$1 per capita per day.

- 1.30 In some communities selected for phase I, methods were tested to select households based on a predictive household model of consumption that identified a series of variables that —when combined in an index—showed a high degree of correlation to the family’s poverty situation.¹⁰ That exercise corroborated the fact that household targeting would be a more cost-effective selection tool if, when the program was expanded, it was used in communities where the characteristics of poverty among the households were more varied.
- 1.31 The phase I targeting yielded satisfactory results, even though the ambitious targets established for that phase were not achieved. The program’s targeting was good although the percentage of those living in extreme poverty turned out to be 18 percentage points below the planned target. In the communities selected for the program, the percentage of those living in poverty and extreme poverty¹¹ was 1.5 to 2 times greater than the respective averages for the rural areas of the country. More than 60% of the beneficiary families were in the last three deciles of national household consumption distribution. When the international extreme poverty line is used in communities selected for the program using geographic targeting, close to 80% of the beneficiaries are below the US\$1 per capita per day. Summarizing, both in absolute terms and when compared to other targeting systems used in similar programs in the region, the social safety net program reached its target population successfully.¹²
- 1.32 The new administration’s strategy for economic development and generating wealth for the poor puts the accent on activities and programs that increase the poor’s capacity to earn income. Ultimately, the GON plans to link targeting criteria based on poverty levels with other criteria related to productive potential in the areas of intervention. The idea is to create a more enabling environment that maximizes the returns on the education- and health-related investments that households living in extreme poverty make, and thereby enhance the sustainability of the program’s benefits once families no longer qualify for the demand-side subsidies.
- 1.33 From the time it was first conceived, this multiphase operation has involved a comprehensive assessment covering: an experimental design evaluation of the program’s impacts using treatment and control groups, an evaluation to compare the application of the geographic targeting and household targeting methods, and a

¹⁰ See IFPRI (2002). “*Sistema de evaluación de la Fase piloto de la Red de Protección Social: Evaluación de Focalización*” [*System to assess the pilot phase of the social safety net: targeting assessment*].

¹¹ Based on the poverty and extreme poverty lines developed by the World Bank in 1998 and increased by 25% to take into account the changes in the August 2000 consumer price index of the Banco Central de Nicaragua.

¹² Morris Saul (2001) “Targeting performance of three large scale, nutrition oriented, social programs in Central America and Mexico” Public Health Nutrition Unit, London School of Hygiene & Tropical Medicine.

user satisfaction survey. The PEU also devised a tracking system that provides bimonthly data on a variety of performance indicators such as school absence, completion of the immunization protocol, the children's nutritional condition, and others. The review of the evaluation done by the Bank and the EAC found that the quality of the evaluation was very satisfactory.

- 1.34 That review also pinpointed certain indicators that would enhance the assessment of phase II. They include: (i) midterm results in health, education and nutrition; (ii) the activities' cost effectiveness based on the midterm results; and (iii) the program's impacts on the families' accumulation of assets and the economic fabric of the beneficiary communities.

F. Conclusion and recommendation

- 1.35 The evidence presented indicates that phase I of the program laid the foundation for a long-term strategy to build up the human capital of families living in extreme poverty in Nicaragua. The Bank's support has been vital to the shift away from the traditional sector-based approach in favor of a program that integrates the activities of various sectors and combines public activities with family co-responsibility.
- 1.36 The program has achieved significant positive impacts by combining strategic actions in nutrition, health and education, relying on a targeting system to reduce the incidence of inappropriate inclusion or exclusion of beneficiaries, a solid impact assessment system and an institutional framework that combines the central government, local governments and civil society. With some adjustments, that institutional framework will be in shape to undertake the expanded program. For all these reasons, the team is recommending that the Board of Executive Directors approve phase II of the social safety net program.

II. PHASE II

A. Objectives and description

- 2.1 Phase II will have the same objectives and components that phase I featured. The program's objective is to enhance the wellbeing of Nicaraguans living in extreme poverty by helping them to build up their human capital. The program components are: (i) institutional strengthening; (ii) health and food security; (iii) education; and (iv) targeting and evaluation. Phase II will reach some 12,500 additional households for a three-year period, and serve the 10,000 households already in the program for the remainder of their eligibility period.

B. Proposed changes to the program

- 2.2 For phase II, program execution will be transferred from FISE to MIFAMILIA, a change warranted by the legal framework and the GON's reconfiguration of the framework of social protection policies. From the institutional standpoint, the change in executing agency would consolidate the program, as the latter would now be under a line ministry whose mandate is to serve the needs of the vulnerable population. MIFAMILIA also plays a pivotal role in shaping the country's social protection policy. This shift in executing agency will necessitate minor adjustments to the program's interinstitutional coordination and execution framework.
- 2.3 In the case of interinstitutional coordination, the Minister of the Family or the person he or she so designates will serve as executive secretary of the FSS' CC at those meetings where the CC addresses program-related matters. There are also plans to merge the ministries' technical committees into a single technical committee (TC) whose members will be high-ranking officials of the line ministries and of the office of the program director. The TC will continue to be liaison between the PEU and the CC and will monitor and supervise the program. Working in direct cooperation with the TC, the PEU will present, for Bank clearance, a semiannual report detailing the number of beneficiaries to be added and the supply in those areas, including expansion plans and how they will be funded. The program's OR will name the responsible institutional offices within each ministry, define the functions and positions, and set the schedule for the TC's meetings.
- 2.4 Also, to improve coordination, the interinstitutional agreements concluded between the line ministries and the executing agency will be reviewed and cleared. Those agreements will spell out the coordinating procedures, functions and responsibilities of each party vis-à-vis program execution. Financing will be provided to develop and implement a digital interface that connects the PEU to the line ministries involved in the program.

- 2.5 As for execution, with FISE's successful completion of the program's incubation, the PEU has developed its own, high-caliber systems and operating procedures. The process will be complete when the PEU is assigned the accounting, internal auditing and treasury functions. The systems for those functions are already in place. To ensure continuity in program execution in phase II, the PEU will be a decentralized unit of MIFAMILIA, performing accounting, internal auditing and treasury functions. In this way, the PEU will be able to independently manage all the procedures necessary for the program's successful execution. Proceeds from the Bank loan will go toward the fees of the consultants with the PEU, but decrease over time.
- 2.6 A strategy will be devised and introduced to establish a linkage between this program and other human development, productive, and basic social infrastructure programs, all in order to enhance the cohesiveness of GON investments. Under that strategy: (i) information about the program's beneficiaries will be made accessible to others to help them target their interventions; and (ii) current information will be made available to the program's beneficiaries about the requirements they must meet to qualify for other programs in areas like rural development, adult literacy and the like, and about the benefits those programs offer. This kind of linkage will help sustain the program's benefits once families are no longer receiving the demand-side subsidies.
- 2.7 In education, to ensure quality instruction in the program's schools, the SSS will be raised from US\$4 to US\$8 per child per year. The cost of the school pack will be set at US\$25 per child per year, to match the present values of the IDA-funded school packs that the MECD delivers. The ES will amount to up to US\$90 per family per year. Finally, the SSS will continue to be funded in those communities that will complete their three years with the program sometime during phase II and whose beneficiaries will, under the rules, cease to receive the education subsidy and the school pack. The SSS will subsidize basic services, thereby softening the impact that beneficiary households will feel when their three years with the program end. Also, by decoupling the SSS from the ES, the medium-term sustainability of the program's impacts on beneficiaries' behavior can be assessed, isolating the effects of the ES' withdrawal. However, to continue to receive the SSS, households in these communities must continue to fulfill their educational co-responsibilities.
- 2.8 In health matters, pursuant to the EAC's phase II recommendations, the FS will be gradually reduced by an average of 30% over the new beneficiary families' three-year period of eligibility. The new household subsidy for food security (SFS) will be US\$168 the first year, US\$145 the second year and US\$126 the third year, which averages out to US\$24.2 per capita per year. Besides growth and development monitoring and promotion, the new protocol will include prenatal examinations, postpartum examinations, family planning, immunization of target groups, teen health care (including HIV-AIDS prevention) and epidemiological surveillance. The training menu will feature modules in subjects that help

beneficiary households earn a better living, such as animal health and patio economy, among others. The inputs necessary to provide the health care services regulated by MINSA and included in the protocol (biological and antiparasitic supplies, micronutrients, oral rehydration salts, family planning methods) will be given to the health care provider by MINSA at no cost.

- 2.9 Economies of scale will be exploited and the cost effectiveness of some interventions will be reviewed. Given these measures, the SSS in health should not exceed US\$90 per year per family. Finally, the SSS will continue to be funded in communities selected in phase I that will complete their three years with the program during phase II and whose beneficiary households will, by regulation, cease to receive the subsidy for food security (SFS). Subsidizing the basic services supply will ease the impact that families will feel when their three years with the program have ended. Also, by decoupling the SSS from the SFS, the medium-term sustainability of the program's impacts on the beneficiaries' behavior can be evaluated, isolating the effects of the SFS' withdrawal. However, to continue to receive the SSS, households in these communities will have to fulfill their co-responsibilities vis-à-vis the health protocol. To receive the SFS, families will have to participate in the health protocol and attend training sessions.
- 2.10 As for strengthening the system for monitoring service providers in phase II, MINSA's oversight of the providers will be program-financed. The frequency and extent of that oversight will be spelled out in the OR and the interinstitutional agreement. Health care providers will be paid only on the basis of service coverage. In phase II, health-care providers will be audited every six months.
- 2.11 The geographic targeting method by which municipalities were selected for phase I will continue to be used in phase II. This time, however, it will be based on the country's new poverty map, updated in 2000, in combination with indicators of education and health coverage shortfalls and productive potential criteria.¹³ The following will be the steps in the targeting process: (i) municipalities will be ranked by the percentage of rural people living in extreme poverty, as shown on the extreme poverty map that the PEU and the IFPRI updated for rural areas using official data from the National Institute of Statistics and the Census (INEC); (ii) for economies of scale, these municipalities will then be screened for geographically proximate municipalities or groups of municipalities where rural extreme poverty is estimated to be over 35% and where at least 500 rural households live in extreme poverty; (iii) the remaining municipalities will then be screened to find those where net and gross enrollment indices for grades 1 to 6 and basic health services

¹³ That map is based on the method of proximate variables of consumption and crosses data from the 1995 census with data from the 1998 living standards measurement survey. Since the SSN's target population are rural households living in extreme poverty and since the map of extreme poverty in Nicaragua reports the rates of extreme poverty, the poverty gap and the severity of the poverty by municipality, but does not segregate statistics for rural and urban areas in each municipality, the PEU, in cooperation with the IFPRI, calculated these rates so that the social safety net would be slanted toward rural areas.

coverage are lowest; and (iv) those with greater territorial and productive potential, in keeping with population policy; municipalities in development poles identified by the GON based on MAGFOR and MARENA data will also be eligible. These poles include: dairy industry, fishing, agri-business, forestry, coffee and fruit tree growing, basic grains, and tourism.¹⁴

- 2.12 The IFPRI and the PEU teamed up to develop a new tool for selecting communities in phase II. It relies on the same national poverty map method and was selected because it was more cost effective than four other alternatives, including the selection tool used in phase I. The household targeting method used in phase I, which relies on proximate variables of consumption, will only be used in communities with more socioeconomically diverse families. In phase II, that method will be backed up by updated figures from the most recent living standards measurement survey.
- 2.13 Once the municipalities have been identified by these criteria, rural communities within those municipalities that have no access to health services and that have some means of providing educational services will be selected. In the chosen rural communities where the estimated rate of extreme rural poverty is above a given threshold, all the resident households will qualify for the demand-side subsidies. In the selected communities where the extreme poverty rate is below that threshold, the method used will be household targeting. All households in such communities that meet the eligibility criterion for the health and food security component will be able to receive the health protocol services and training. However, only households selected by household targeting will qualify for the SFS, the ES and the SP.
- 2.14 The program's OR specify: (i) the threshold, defined as the rate of rural extreme poverty at the community level below which the household targeting method will be used in a given community, according to the method developed by the PEU and the IFPRI; (ii) the ranking of the municipalities based on the percentage of inhabitants living in rural extreme poverty, according to the extreme poverty map that the PEU and the IFPRI updated for rural areas using official data from INEC; (iii) the ranking of municipalities based on net and gross indices of enrollment in grades 1 to 4 and health services coverage; (iv) the ranking of municipalities based on land and productive potential in keeping with population policy; and (v) a description of the method that the PEU and the IFPRI developed to figure the extreme poverty rate at the community level.
- 2.15 For phase II, new instruments have already been developed for geographic targeting up to the community level, which will make the system for selecting beneficiaries more efficient. The household targeting method will also be improved so that it can

¹⁴ Agro-economic potential is defined as a combination of a number of variables such as soil and soil use, water resources, topography, climate, potential use of the land, natural hazards, etc.

be used in those communities where the socioeconomic circumstances of the families are more diverse and where household targeting is more cost effective.

- 2.16 The phase I indicators, including targeting, will continue to be evaluated in phase II. Phase II will also have the benefit of commentary from households that have been program beneficiaries since its inception in 2000 and who will no longer be receiving the demand-side subsidies. This will provide a better picture of the program's medium-term impacts on performance variables in health, education and nutrition, some of which are described in Table II.1. A cost-benefit and cost-effectiveness analysis can be done with those results. There are also plans to evaluate the impact of food subsidies of varying sizes, to observe how families react to the different incentives. Lastly, the analysis of supply factors and their influence on the program's net impacts will be strengthened. The terms of reference of the impact assessment were presented to and cleared by the Bank (see paragraph 3.13).

Table II.1 Phase II impact indicators

Education	Health and nutrition	Wellbeing
<ul style="list-style-type: none"> • Rate of net enrollment and promotion, by grade. • School retention rate (include grades 5 and 6). • Overage pupils, by grade. 	<ul style="list-style-type: none"> • Anthropometric measurements (weight/height; height/age; weight/age) by age group. • Quality of diet. • Incidence of anemia. • Incidence of respiratory illnesses, diarrhea, and so on. 	<ul style="list-style-type: none"> • Household ownership of productive assets. • Employment and sources of income. • Commodity price variations.
Degree of disaggregation		
By gender, consumption quintiles, length of time with the program.	By gender, quintiles of consumption, length of time with the program.	By gender, quintiles of consumption, length of time with the program.
Special considerations: the sustainability of the effects within the group of families who exit the program.		

C. Cost and financing

- 2.17 The estimated cost of Phase II of the program is US\$22.2 million. The Bank loan of US\$20 million, expressed in United States dollars, will be from the Fund for Special Operations. The Government of Nicaragua will contribute the entire local counterpart of US\$2.2 million. The following table itemizes the program's costs and financing by investment category.

Table II.2 Costs and financing (in thousands of dollars)

CATEGORIES	Phase II			
	IDB	GON	Total	%
1 Institutional strengthening	1,183	1235	2,418	10.9%
1.1 Long-term consultants	490	910	1400	
1.2 Operating costs	500	792	792	
1.3 Equipment and staffing	90	10	100	
1.4 Training	34	6	40	
1.5 Technical assistance	69	17	86	
2 Health and food security	11,260	139	11,399	51.5%
2.1 Subsidy for food security	7,204	321	7,525	
2.2 Supply-side subsidy	3,275	250	3,525	
2.3 Administrative costs	210	58	268	
2.4 Supervision	71	10	81	
3 Education	5,651	199	5,850	26.3%
3.1 Education subsidy	2,873		2,873	
3.2 School pack	1,892		1,892	
3.3 Supply-side subsidy	773	86	859	
3.4 Administrative costs	113	113	226	
4 Targeting and evaluation	388		388	1.7%
4.1 Targeting	40		40	
4.2 Surveys	148		148	
4.3 Evaluation	200		200	
5 External auditing	75		75	0.3%
Subtotal	18,057	2,073	20,130	
6 Contingencies	1,411		1,411	6.3%
Overall subtotal	19,468	2,073	21,541	
7 Borrowing costs	532	127	659	3.0%
7.1 Interest	332		332	
7.2 Inspection and supervision	200		200	
7.3 Credit fee		127	127	
Total	20,000	2,200	22,000	100.0%
Percentage	89.0%	11.0%		

2.18 The terms of the loan are detailed below:

Source of financing:	Fund for Special Operations (FSO)
Currency:	US dollars
Terms and conditions:	
Grace period:	10 years
Amortization period:	40 years
Disbursement period:	Minimum: 3 years Maximum: 3.5 years
Interest rate	1% per annum during the grace period and 2% thereafter
Inspection and supervision	1% of the total loan amount
Credit fee	0.50% per annum on the undisbursed balance, starting from the date of approval by the Board of Executive Directors.

D. Fiscal impact

- 2.19 Based on the value of the various subsidies planned for phase II, and assuming (i) the same sociodemographics¹⁵ as the phase I beneficiary households and (ii) a 10% operating cost, the cost of expanding all the program's interventions to reach 80 thousand families living in extreme poverty in rural areas would be approximately US\$29 million annually. The results of the simulations indicate that this kind of coverage would mean an unbudgeted annual increase in recurring costs of US\$110,000 for MINSA and US\$700,000 for MECD. Even assuming a 30% leakage rate in the targeting, within the space of just one decade all families living in extreme poverty in Nicaragua would have these benefits for three years. More than 60% of this amount could be funded with just 15% of the funds that Nicaragua received in 2002 in the form of interim debt relief.
- 2.20 The problems associated with the fiscal deficit and the conversion of the short-term domestic debt and the resulting restrictions imposed by the eligibility requirements for the HIPC completion point severely limit the domestic funds available to finance the SSN for the immediate future (2002-2004). However, the program is one of the commitments undertaken for the HIPC completion point. For that reason, the GON has made the SSN a priority in the SGPRS, enabling it to receive funds both from HIPC debt relief and from the national budget. Once the country has reached the HIPC completion point in 2005, however, it could have at least US\$15 million per year, funds that could be earmarked to SSN and other social protection programs. Were this to occur, the program's sustainability and coverage of the target population for at least eight years could be assured with just under 4% of the current spending on education and health.
- 2.21 The SSN now reaches 10,000 families, out of a total of 80,000 families living in extreme poverty in rural areas. The proposed phase II could fully cover another 12,500 new households in the next three years, as well as the current 10,000 beneficiary households for what remains of their eligibility period. By the end of phase II, the program will have benefited at least 22,500 households, which is approximately 25% of the families living in extreme poverty in rural areas. The SSN has the capacity to efficiently invest more HIPC relief funds and soft monies from other partners. For this reason, the initial estimated coverage is 12,500 new families in the program's second year and 15,000 in its third year, with the numbers gradually increasing thereafter.

¹⁵ 16% of the households have no children; 17% have children ages 0 to 5 years; 36% have children between 0 and 5 years and an average of 2.37 children of school age; 31% have an average of 2.37 children of school age.

E. Benefits

- 2.22 The program will be an integral contribution to the efforts the GON is making to relieve extreme poverty, linking that objective to economic development in territories with productive potential. The program will also establish the framework and model for the social protection network whose activities target families living in extreme poverty. Significant impacts are expected, similar to those achieved in phase I, by combining strategic interventions in nutrition, health and education, a targeting system that reduces the incidence of error in the inclusion or exclusion of beneficiaries, a solid impact assessment system and an institutional arrangement that partners the central government, local governments and civil society.
- 2.23 The program supports a social protection strategy focused on investment in human capital and the accumulation of assets among families living in extreme poverty. It directly empowers female beneficiaries by building up their knowledge and skills so that they can be pro-active in improving their families' health and nutrition and their children's basic education. Finally, the training provided under the program, especially in the areas of hygiene and health, will have a salutary effect on the environmental management practices of the beneficiary families and beneficiary communities.

F. Risks

- 2.24 *Targeting of beneficiaries:* The leakage risk is there, i.e., that people not living in extreme poverty will be included as beneficiaries. This risk is minimized, however, by establishing rigorous targeting criteria and a formal oversight system involving periodic field inspections and open town meetings.
- 2.25 *Negative incentives in the labor market:* If cash subsidies are too large, they could increase the reservation wage and thereby reduce supply in the labor market. To mitigate this risk, once a household is declared eligible benefits will be decoupled from the family income level. The evaluation of phase I found that the cash subsidies had not distorted the labor market.
- 2.26 *Interinstitutional coordination:* Incorporating the coordinating council (CC) of the supplementary social fund (FSS) into the execution plan reduces the risk of the kind of interinstitutional coordination characteristic of an operation of this nature. The council will improve coordination with health and education services, which is important given the multisector nature of the program. The interinstitutional agreements between the line ministries and executing agencies will be reviewed to clear up some of the coordination difficulties encountered during phase I.

III. PHASE II EXECUTION

A. The borrower and the executing agency

- 3.1 The borrower is the Republic of Nicaragua, while the executing agency is the Ministry of the Family (MIFAMILIA).

B. Execution mechanism

- 3.2 For program execution, MIFAMILIA will have a decentralized program execution unit (PEU) attached to MIFAMILIA. The execution mechanism will be at three levels: central, local and community.

a. Central level

- 3.3 This level consists of the supplementary social fund (FSS), the coordinating council, the PEU, and the FSS technical committee.

- 3.4 **Coordinating council.** The coordinating council (CC) created by the FSS will serve as the program's coordinating council, with the adjustments indicated below. The program's coordinating council will consist of: (i) the ministers of health, education, the family, agriculture, and the treasury; (ii) a representative from the Consejo Nacional de Planificación Económica y Social [National Economic and Social Planning Council] (CONPES); (iii) a representative of the donor countries; (iv) the technical secretary from the Chief Executive's Office, who will preside, and (v) the Minister of the Family or whomsoever he or she appoints, who will act as the coordinating council's executive secretary. The coordinating council's functions will include: (i) approval of the program's policies and general norms; (ii) approval of the program's semiannual plan of operations; (iii) the program's coordination with programs in other sectors; (iv) approval of the OR; (v) approval of the findings of the monitoring of execution and the evaluation of the program; and (vi) review the findings of the audit reports.

- 3.5 **Program execution unit.** The PEU will have: (i) a general director, who will be the officer at the central level responsible for the program's technical, financial and administrative execution; and (ii) three managers: a technical manager in charge of targeting and research, evaluation and statistics; an operations manager responsible for training, inclusion, follow-up and transfers, and an administrative-financial manager in charge of the budget, procurement, payment controls, development of a data processing system and for guaranteeing the logistical conditions in general and contracting of the necessary support staff. The PEU's other functions are spelled out in detail in the program's operating regulations.

- 3.6 **Technical committee.** The single technical committee (TC) established as part of the supplementary social fund, is the link between the program's executing agency and its coordinating council. The TC will: (i) prepare and recommend budgetary measures and the program's six-month plans of operations, which means planning the investments needed to respond to the increased demand for health and education services and successive adjustments thereto, and submitting them to the FSS' CC for approval; (ii) coordinate the interventions of the various sectors as a function of the program's execution goals, and (iii) monitor and evaluate the program. The structure, composition and specific functions of the TC will be spelled out in the program's operating regulations, as will the frequency of its meetings.

b. Local level

- 3.7 The local level consists of the local committees and the local executing units (LEUs).
- 3.8 **Local committees.** A local committee will be set in each municipality participating in the program. Every local committee will have at least six members: (i) the coordinator of the municipal technical team; (ii) the Ministry of Health's municipal chief; (iii) the Ministry of Education's municipal delegate; (iv) two delegates from civil society, elected by the other members of the local committee, and (v) the LEU coordinator. The delegates representing civil society will come from diverse sectors of society (NGOs, churches, the productive sector or community leaders) and must be citizens with a reputation for competence, honor and social mindedness. The health-care providers will participate on the local committees at the latter's invitation. The local committees' chief functions are described in the program's operating regulations.
- 3.9 **Local executing units.** The LEUs will have one consultant, hired by the PEU, for every 1,000 beneficiary households. The LEUs' main function is to see that the program functions smoothly in the beneficiary communities within their municipalities, by: (i) assisting the community and municipal committees (CCCs); (ii) supervising the community promoters; (iii) consolidating the records of the beneficiaries' compliance with the service plan; (iv) ensuring the proper application of eligibility requirements for beneficiaries; (v) compiling and sending to the PEU all the information it will need to administer the program; (vi) checking to ensure that subsidies have been delivered, and (vii) monitoring the program in general. The LEUs' other functions are described in the program's Operating Regulations.

c. Community level

- 3.10 The community level consists of the CCCs and the community promoters.
- 3.11 **Community and municipal committees.** The CCCs will have the same functions as the CEUs for phase I of the program and will be governed by the program's operating regulations. Every CCC will have at least five members: (i) the chairman

of the local school board; (ii) a representative of the program-affiliated health-care service and training providers in the area, and (iii) the community promoter(s) representing the mothers from the community; (iv) a delegate selected by MINSA's municipal director; and (v) at least one teacher or director from the rural education nucleus. The LEU coordinator or his/her second-in-command will be invited to participate as a permanent member of the CCC.

- 3.12 **Community promoters.** The program will have a community promoter wherever it operates. The community promoter will be a mother in a beneficiary household who volunteers to work with the program and who will be designated by the other mothers of beneficiary families. Her functions are described in the OR.

C. The program's evaluation

- 3.13 There will be two new evaluation reports. The executing agency will present the first of these reports 12 months into phase II, from the effective date of the loan contract. The second will come 12 months later. The firm that evaluated phase I will also evaluate phase II and be compensated with loan proceeds (see paragraph 2.16).

D. Execution and disbursement periods

- 3.14 The program will be executed over a 36-month period. The maximum period for disbursing the loan proceeds will be 42 months. Both time periods will begin as of the effective date of the loan contract.

1. Disbursement schedule

- 3.15 Table III.1 shows the disbursement schedule for phase II of the program, by source of financing.

Table III.1 Disbursement schedule for phase II

Source of Financing	Year 1	Year 2	Year 3	Total	%
IDB	9,446	5,446	5,108	20,000	89
Local	805	717	678	2,200	11
TOTAL	10,251	6,163	5,786	22,200	100
%	46.17	27.76	26.07	100.00	

2. Procurement of goods and services

- 3.16 Procurement of goods and related services and the hiring of consulting services will be done in accordance with the applicable Bank procedures and policy. International competitive bidding will be required when the estimated cost of the goods is equal to or higher than US\$250,000 equivalent. International competitive bidding will also be required for consulting services costing more than US\$200,000

equivalent. No civil works are planned under the program. An exception is being requested of the Bank's Board of Executive Directors to allow direct contracting of the IFPRI for the consulting services to evaluate the program, and of the senior staff currently working in the program executing unit.

3. Exceptions to Bank policy

- 3.17 Concerning the hiring of the consulting services for the program's impact assessment, it is recommended that the IFPRI be retained to perform these services, thereby foregoing the international competitive bidding. The reasons are as follows: (i) judging by the reports it has presented, the IFPRI has satisfactorily discharged the services it was hired to perform in phase I; (ii) the IFPRI was originally selected and contracted through an international competitive process, in keeping with Bank policy and procedures; (iii) the IFPRI offers a technical and institutional advantage in the form of the qualified team of specialists who work at the Institute, the experience it has garnered with similar programs and projects, its evaluation method and expertise, and the experience it has acquired in analyzing the impacts of phase I of the program.
- 3.18 This is a multiphase operation. The consultants, originally selected via a competitive and transparent procedure, were an integral part of the phase I PEU, performed satisfactorily, and by now have amassed considerable experience with the program's technical and operational aspects. For all these reasons, and to make certain that the program's activities continue to be successfully carried out in phase II, an exception is being requested of the Bank's Board of Executive Directors so that the consultants whose contracts were financed with proceeds from the Bank loan for phase I and who are currently serving in the PEU, may be contracted for phase II, thereby foregoing the competitive selection process.

4. Disbursements and revolving fund

- 3.19 The loan proceeds will be deposited in the Banco Central de Nicaragua, in a separate account of the Ministry created exclusively for the program. In keeping with Bank policy, it is recommended that a revolving fund of up to 5% of the loan amount be established to ensure efficient program execution.

5. Audits

- 3.20 The executing agency will set up and maintain proper accounts and records that conform to acceptable accounting practices. At the end of each calendar year, a firm of independent auditors acceptable to the Bank will audit the financial-accounting reports. These reports are to be submitted starting with the first year and for the duration of program execution. Proceeds from the Bank loan will be used to pay for the annual audits.

- 3.21 Within 60 days of the end of each sixth-month period, the executing agency is to submit to the Bank a concurrent audit report prepared by a firm of independent public accountants, consistent with the terms of reference agreed upon with the Bank and concerning performance of the contracts for delivery of health-care services and payments to beneficiaries. This report would feature, inter alia, the findings of the ex post review of the disbursements and procurement effected by the health-care providers and a review of the enforcement of the OR as regards the creation and updating of the record of beneficiaries and of the delivery of subsidies.

6. Special conditions

a. Conditions precedent previously fulfilled

- 3.22 The following conditions have been met: (i) extension of the mandate of the supplementary social fund's coordinating council as the agency steering the program; (ii) agreement on the amendments to the OR. The principal adjustments to the current OR, which the executing agency and the Bank have agreed upon, include changes to: the training offered, the amount of the SFS, the SSS in education, and the targeting criteria and instruments. Checks were done to confirm that the schools qualify for the SSS, and regulations instituted extending the SSS in education and health for another two years.

b. Conditions precedent to the first disbursement

- 3.23 Before the first disbursement of loan proceeds is made, the borrower, through the executing agency, must show, to the Bank's satisfaction, evidence that: (i) the interinstitutional coordination agreements between the executing agency, the MECD and the MINSA for execution of the program's activities have been signed; (ii) the FSS' coordination council has approved the program's OR; and (iii) the PEU has been constituted and assigned the staff necessary to function.

c. Conditions precedent to disbursement of loan proceeds for components 2 and 3

- 3.24 To finance the interventions for the new families who will join the program in phase II, the executing agency must present the following to the Bank's satisfaction: (i) the final list of the communities in which phase II will be conducted; (ii) a semiannual plan for adding new beneficiaries, which includes: the number of households to be added, the educational and health-care services available in the selected communities, and plans to strengthen those services and what the source of financing will be; and (iii) the baseline that will be used for the evaluation of the new families.

d. Retroactive financing

- 3.25 The Bank may recognize up to the equivalent of US\$100,000 of its loan proceeds as expenses or obligations incurred by the borrower as of 1 July 2002, for the following: (i) technical assistance to introduce the needed changes in the OR and for the adjustments to the program's design, particularly the training offerings and the health protocol; (ii) preparation of the first semiannual plan; (iii) work to advance the targeting and evaluation activities for phase II. Those expenses or commitments must be incurred as a result of procurement procedures that substantially conform to those set forth in the loan agreement.

SOCIAL SAFETY NET

(NI-0075)

EXECUTIVE SUMMARY

Borrower:	Republic of Nicaragua.			
Executing agency:	Emergency Social Investment Fund [Fondo de Inversión Social de Emergencia] (FISE).			
Amount and source:		Amounts in US\$000		
		Phase I	Phase II	Total
	IDB (FSO):	US\$ 9,000	20,000	29,000
	Borrower:	US\$ 1,000	2,222	3,222
	Total:	US\$10,000	22,222	32,222
Financial terms and conditions:	Amortization period:	40 years		
	Grace period:	10 years		
	Disbursement period (phase I):	2 years		
	Interest rate:	1% per annum for the first 10 years; 2% per annum thereafter		
	Inspection and supervision:	1% of the loan amount		
	Credit fee:	0.50% per annum on the undisbursed balance		
Objectives:	The purpose of the program is to enhance the well-being of Nicaraguans living in extreme poverty by helping to build human capital. To achieve this purpose, the program has the following objectives: (i) establishment of the initial operating framework for a social safety net; (ii) income supplementation (for up to three years) to allow families living in extreme poverty to increase their food expenditures; (iii) better care for children under five years of age; and (iv) reduction of the school dropout rate in the first four grades in the program area.			
Description:	The program creates an <i>initial</i> institutional framework intended to unify the principal social spending agents in order to develop an <i>integrated, targeted, cost-effective</i> safety net strategy. The program also seeks to demonstrate and evaluate different ways to build human capital among the poor through low-cost, integrated activities for training, nutrition, school attendance, health advocacy and reduction of preventable diseases. All of these activities focus on the family			

unit. The flexible program design makes it possible to adapt the operating framework and the services offered to accommodate local needs and capacity.

The proposed program is designed as a multi-phase operation with an estimated total cost of US\$32.22 million (US\$29 million financed by the Bank). Each phase will be financed through a separate Bank loan (US\$9 million and US\$20 million, respectively). This document requests approval for a two-phase approach and a loan for program phase I. This phase will provide an opportunity to test the network's operating framework, various targeting arrangements, and the impact of the program on family behavior with respect to nutrition, health and education. If phase I is successful, phase II will increase the program coverage to include the lessons learned from phase I. The first phase is scheduled for a two-year execution period, and the second phase is estimated to last three years.

The project team will recommend approval of phase II of the program to the Bank's Board of Executive Directors in a memorandum describing any adjustments deemed necessary to improve the operation, efficiency and transparency of the program, as well as a new cost table and the revised procurement plan for phase II. The project team's recommendation will be based on an analysis of the results from the phase I evaluation, which will include the operating, targeting and impact indicators described in paragraphs 3.39-3.42. Additionally, in order to obtain approval for phase II of the program, the borrower will present, to the Bank's satisfaction, a plan describing: (i) the future institutional framework of the safety net; (ii) the arrangements for implementing the safety net; and (iii) an ex post impact evaluation and monitoring strategy. Lastly, the project team will verify that at least 50% of the loan resources for phase I have been disbursed and at least 75% of the phase I resources have been committed.

The program will finance: (i) **institutional strengthening** to establish the operating framework for the safety net; (ii) **health and food security** in the form of a food subsidy and support to increase the availability of nutritional and health training for families, as well as immunization coverage and development and growth monitoring for children under five years of age; (iii) **education**, through an education subsidy for families with children in grades 1-4, a school pack that will provide children with shoes, clothing and basic school supplies, and a subsidy for educational materials; and (iv) **targeting and evaluation**, for the purpose of establishing objective, transparent criteria for selecting beneficiaries, and impact indicators for measuring program performance.

Bank's country and sector strategy:	<p>The program is consistent with the poverty reduction strategy that the Government of Nicaragua is developing with support from the IDB, the International Monetary Fund and the World Bank¹. Social protection is the third pillar of the government's strategy, in addition to sustainable growth and investment in human capital. The safety net is a crucial element of the country strategy supported by the Bank in Nicaragua, inasmuch as it complements the existing social protection programs (FISE and the Supplementary Social Fund [FSS]). The objective of the safety net is to include extremely poor families in the process of investing in human capital. (See footnote 3 on page 1 and paragraphs 1.2 and 1.7.)</p>
Environmental and social review:	<p>The program will establish the initial framework and model for a social safety net whose activities are aimed at families living in extreme poverty. It will foster women's development by supporting activities to consolidate the family unit and by empowering mothers and female heads of household. The program is expected to have a positive impact because it encourages a behavioral change in families that will be favorable to the environment.</p>
Benefits:	<p>The safety net offers an arrangement that stimulates cooperation among line ministries, local governments and the community. It will help to shape the government's policy-setting function and encourages families to adopt a responsible attitude, demonstrated in behaviors that reduce health risks and in greater value placed on education.</p>
Risks:	<p>Targeting of beneficiaries. The risk of including people who are not living in extreme poverty will be minimized by establishing strict targeting criteria and a formal supervision system, through periodic visits and the use of open community meetings.</p> <p>Negative incentives in the labor market. The subsidies are intended to increase family well-being through food supplementation. If the cash subsidies are too large, however, they could increase the reservation wage and thus reduce supply in the labor market. The income assistance provided for is therefore small enough so as not to distort the market.</p> <p>Interagency coordination. Incorporating the FSS coordinating council into the execution plan and linking the council to the line ministries will strengthen coordination, which is important due to the multisector nature of the program.</p>

¹ See Poverty Reduction Strategy, GON, January 2000

Special contractual clauses:

1. Conditions precedent to the first disbursement:

Prior to the first disbursement, FISE will present, to the Bank's satisfaction: (i) evidence of the fund transfer agreement signed with the Finance Ministry, including the items described in paragraph 3.1; and (ii) the program's Operating Regulations drawn up in accordance with the terms agreed with the Bank and approved by the coordinating council (paragraph 3.3).

2. Other special conditions

As a condition precedent to disbursement of the health, food security and education components, FISE is to present the *final list of communities* and the baseline evaluation for phase I (paragraphs 3.15 and 3.44).

Beginning March 31, 2001, disbursements will be subject to the borrower demonstrating, to the Bank's satisfaction, that it has extended the life of the coordinating council of the FSS or that it has created an agency with a structure and functions similar to those of the program's coordinating council.

The loan agreement will state the conditions that were met by the executing agency prior to presentation of the program to the Board of Executive Directors (paragraph 3.57).

Agreement is also to be reached on the conditions appropriate to this type of agreement and the establishment of a 10% revolving fund.

Poverty-targeting and social sector classification:

This operation qualifies as a poverty-targeted investment (see paragraphs 3.15 and 4.6). Furthermore, this operation qualifies as a social equity enhancing project, as described in the indicative targets established in the report on the Eighth General Increase in Resources (document AB-1704). The borrower will be using the 10 percentage points in additional financing (paragraph 2.26).

Exceptions to Bank policy:

None.

Recognition of previous expenditures:

The Bank may recognize up to US\$500,000 in costs incurred by the borrower as of March 1, 1999, to carry out the activities specified in paragraph 3.51 as part of the financing.

Procurement:

The program does not call for any construction work. Bank procedures will be followed for procuring goods and consulting services.

NET IMPACTS OF THE SOCIAL SAFETY NET, PHASE I

Indicator	Areas of intervention Baseline (%)	Control areas Baseline (%)	Changes in areas of intervention (percentage points)	Changes in control areas (percentage points)	Net impacts: changes Intervention-Control (percentage points)
1. Participation in GDMC (children < 3 years)					
a. Taken for check-up at a center/clinic, SSN or other	69.4	72.8	25.3	2.3	23.0
b. Weighed in the last six months	56.1	60.6	35.3	6.7	28.6
c. Has a check-up card	51.9	56.9	38.1	9.0	29.1
d. Weight charted in the last 6 months	37.5	38.5	49.0	17.5	31.5
e. Check-up card updated in the last six months	38.7	42.0	37.6	13.3	24.3
2. Full series of immunizations (children between 12 and 23 months)					
a. BCG (1 dose)	95.7	94.1	3.4	0.0	3.4
b. Polio (full series of 3 doses)	74.8	78.2	17.2	11.5	5.7
c. Pentavalent vaccine (full series of 3 doses)	19.7	15.6	63.0	59.9	3.1
d. DPT (full series of 3 doses)	47.5	49.9	45.8	35.7	10.1
e. Pentavalent or DPT (full series of 3 doses)	69.3	63.1	18.1	24.3	-6.2
f. MMR or Measles (1 dose)	72.7	68.8	18.6	9.1	9.5
g. Full series of a, b, e, f	55.1	50.2	26.8	17.9	8.9
h. Up-to-date	38.0	38.7	42.5	28.8	13.7
i. Complete for current age	36.5	40.3	45.5	28.2	17.3
j. Complete program	27.7	24.3	52.5	41.8	10.7
3. Food expenses					
a. Annual per capital food expenses (in córdobas)	C\$ 2,818	C\$ 2,684	C\$ 373	-C\$510	C\$ 884
b. Food expenses as a percentage of total expenses	70.2	70.2	0.0	-3.9	3.9
4. School enrollment					
a. Girls and boys ages 7 to 13 who have enrolled in elementary school between the first and fourth grades this year	68.9	72.0	24.8	3.1	21.7
5. School attendance					
a. Boys and girls between the first and fourth grades of elementary school who remain in school			Last measurement 94.9%	Last measurement 85.9%	9.0
6. Extremely poor and poor in the program					
a. Extremely poor	42.2				
b. Poor	79.5				
c. % below US\$1	80.0				

Source: the program's own figures, based on 2002 IFPRI report and report from EAC workshop February 2002.

PROCUREMENT PLAN

(IN US\$ THOUSANDS)

Principal procurements	Total amounts (*)	Financing		Modality (**)	Pre-screen.	Planned announcement date
		% IDB	% Local			
Consulting services						
Consultants						
- Targeting and evaluation	388	100%	0%	DC	NO	
- Institutional strengthening	1,400	45%	65%	DC	NO	
- Institutional strengthening	86	80%	20%	S/LCB	NO	IV/2002
Training						
- Institutional strengthening	40	82%	18%	S	NO	IV/2002
- Health	1,748	93%	7%	ICB	YES	III/2002 - II/2003
Equipment and materials						
Furnishings						
- Institutional strengthening	25	90%	10%	S	NO	IV/2002
Motorcycles						
- Institutional strengthening	10	90%	10%	S	NO	IV/2002
4 x 4 vehicles						
- Institutional strengthening	30	90%	10%	S	NO	IV/2002
Hardware						
Computers and printers						
- Institutional strengthening	35	90%	10%	S	NO	IV/2002 y II/2003
Payment services						
- Education, health and food security	493	65%	35%	ICB	NO	III/2002 – II/2003
Other services						
Health protocol						
- Health and food security	1,777	93%	7%	ICB	YES	III/2002 – II/2003
Totals	6,032					

* The total amounts of the principal procurements for the three years of Phase II of the project.

** Overall, the upper and lower price limits that will be used in procuring goods and services and contracting consulting firms are as follows:

	Goods and Services	Consulting
International competitive bidding (ICB)	US\$250,000 and over	US\$200,000 and over (firms)
Local competitive bidding (LCB)	US\$50,000 – US\$249,999	US\$100,000 and over (indiv.)
Shopping (S)	up to US\$49,999	US\$50,000 – US\$199,999(firms)
Direct contracting (DC)		US\$50,000 – US\$99,999 (indiv.)
		up to US\$49,999